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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

MAY 29 1951

Date: \_\_\_\_\_

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
  2. Comments represent the preliminary views of the Office of Current Intelligence.
  3. Marginal letter indications are defined as follows:
    - "A" - items indicating Soviet-Communist intentions or capabilities
    - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
    - "C" - other information indicating trends and potential developments

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## SECTION 1 (SOVIET)

"A" USSR. Malik Denies Soviet "Peace" Overtures. A spokesman for Jacob A. Malik, Soviet delegate to the UN, states that he is authorized to deny that the USSR has made any offer to discuss a settlement of the Korean War. (U NIT, 29 May 51). COMMENT: Malik's denial, which resembles his earlier denial that he had conferred with Mr. Dulles concerning a Japanese peace treaty, may be designed to quash premature publicity concerning Soviet willingness to negotiate. It can be regarded as an indication that the USSR does not wish to become involved in bilateral negotiations on Korea at this time. However, this denial may also be intended to re-emphasize the USSR's public position of non-involvement in the Korean dispute as a forerunner to some future move from the Soviet-Communist camp, possibly by the Chinese Communists or North Koreans.

"B" EASTERN EUROPE. CZECHOSLOVAKIA. Czechoslovak Embassy in Paris Reportedly Receives Emergency Instructions.

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the Czechoslovak Embassy in Paris has begun burning "documents of least importance" in compliance with orders from Prague. In the event of war, according to the source, the Embassy staff has been directed to proceed to Marseille and board a Soviet ship.

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COMMENT: Two possible non-emergency explanations for the reported activity include: (1) a routine periodic destruction of classified material; or (2) the destruction of some of the files of the Masaryk House which has been ordered to cease its activities by the French Government. On the other hand, reports have been received previously that the Polish Embassy staff in Ankara and the Polish merchant marine have been issued emergency instructions to be carried out in the event of hostilities.

"C" YUGOSLAVIA. US Violations of Air Space Protested. The Yugoslav Government has protested the alleged violation of Yugoslav air space on 16 April by two US aircraft. The Yugoslav Foreign Office also furnished the US Embassy in Belgrade with a list of nine other air space violations not positively identified as having been committed by US aircraft. In handling the protest the Foreign Office official explained that an incident involving a US plane was the last thing Yugoslavia desired but that unavoidable clashes could take place which would have serious consequences for both governments. He referred to the problem created by continuing air space violations in the face of mounting Yugoslav tension with Communist neighbors. (S Belgrade 1766, 26 May 51). COMMENT: This is the third Yugoslav protest of US violations of Yugoslav air space in three months. The Yugoslav Government has circumscribed narrow channels as passage routes for commercial flights over its territory. Besides the irregular flights of an Hungarian airline, there are regular weekly flights of Czechoslovak and Soviet airlines both of which land at Belgrade. Western airlines which operate within Yugoslavia are the Swiss and Pan American Airlines.

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Government Prepares Financial Decentralization. According to the US Embassy Belgrade, the Yugoslav Government is formulating new financial legislation which will decentralize the administration of government funds. According to the new legislation, the Federal Government will collect only funds essential for federal operations while individual enterprises will have a large measure of independence in determining the use of their earnings within the framework of the over-all state plan. Enterprises will be permitted to retain a portion of their earnings for expansion purposes, higher wages, or special incentive rewards. With the exception of prices for raw materials, supply and demand will determine internal prices. (S Belgrade 442, 25 May 51). COMMENT: The new legislation will constitute another step in the government's decentralization program which is designed to promote greater efficiency and higher production by encouraging local initiative.

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SECTION 2 (EASTERN)

"B" AUSTRALIA. Government Raids Headquarters of Two Communist-led Unions. The Government raided Sydney and Melbourne headquarters of two Communist-led unions -- watersiders' and seamen's -- on 25 May in expectation of seizing evidence that the New Zealand waterside strike is being supported and financed under international Communist direction. Although the two unions involved immediately walked out in protest, they resumed work on 28 May apparently unprepared at the moment to defy the government. The US Embassy notes that the Government's action indicates an intention to seize the initiative in the current phase of the anti-Communist struggle and to put Communist union leaders on the defensive thus possibly avoiding the spread of the New Zealand strike to Australia. (R Canberra 335, 28 May 51). COMMENT: Communist-led unions have banned work on New Zealand ships in Australian ports, and at least one union, the Waterside Workers Union, is collecting funds for the now deregistered Waterside Workers Federation in New Zealand which has promoted the costly four-month strike there. The New Zealand federation and the Australian unions whose offices were raided are all affiliates of the WFTU.

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"B" BURMA. Chinese Communist Border Raid Reported. [REDACTED] Chinese Communist forces have burned the Burmese border town of Kyukok on the Burma Road and captured the commander of the local Burmese garrison. No official comment or confirmation has been forthcoming from the Burmese Government. (Press ticker, Reuters, Rangoon, 28 May 51). COMMENT: Reuters has not been particularly reliable in its reporting from Burma. There have, however, been reports from other sources concerning hostile Chinese Communist actions along the Sino-Burma boundary which the Burmese Government has consistently denied or ignored. The scene of this reported incident is far removed from the area occupied by Chinese Nationalist forces; however, tension has been developing along the frontier since the Chinese Communists gained control of Yunnan.

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"B" CHINA. Agreement Presages Communist Control of Tibet. The principal points of the agreement between Communist China and the Tibetan delegation, announced by Peiping on 27 May, provide that (1) Tibet is to be a part of China, (2) the Tibetan authorities are to "actively assist" Communist forces to occupy Tibet, (3) Peiping is to conduct "all external affairs" of Tibet, (4) the Panchen Lama (a Communist puppet) is to have equal status with the Dalai Lama, and (5) Tibet is to enjoy "national regional autonomy under the unified leadership" of the Peiping regime. (R FBIS, 28 May 1951). COMMENT: The OGI Daily Digest of 26 May reported the expectation of an agreement of this nature between Peiping and Tibet. Peiping's promise of "national regional autonomy" is worthless, as other provisions ensure that

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Tibet will have no significant independent powers. Although Peiping's commentaries indicate some doubt as to whether the Tibetan authorities will implement the agreement signed by their delegation, Tibet is incapable of prolonged resistance to the Peiping regime, and it is expected that Peiping will be in effective control of the area during 1951.

"C" CHINA. German Truck Tires En Route to Chinese Communists. The Netherlands Economic Ministry advised the US Embassy that 685 truck tires, sold by a West German firm to a Chinese Communist buyer through three intermediary firms, were on the German ship MORELLA which left Rotterdam 23 May. The vessel, reportedly owned by Rickmers in Hamburg, may call at Taku Bar in North China instead of Hong Kong, according to the Economic Ministry. (C State, The Hague 1554, 25 May 51). COMMENT: The MORELLA may give both Hong Kong and Taiwan a wide berth, in view of the experience of another Rickmers' vessel, the MAI RICKMERS, which was intercepted by the Chinese Nationalists in late April. The MAI RICKMERS was delivering steel rails and other strategic items from Europe to a Chinese Communist port.

"C" Communists Conclude Agreement to Sell 400,000 tons of Grain to India. Chinese Communist and Indian representatives, who have been negotiating in Peiping for a month, finally concluded, on 22 May, an agreement for India to purchase 400,000 tons of milo (a coarse grain). A 23 May Delhi broadcast, which has not been officially confirmed, stated that shipments under this latest agreement will begin in June 1951 and will be completed within four or five months. Lamb, the British representative in Peiping, reported that the Communists desire to receive "tobacco and gunny sacks" in return for the grain. However, the US Embassy in New Delhi reports that the contract calls for payment chiefly by cash, but partly by barter (S State London 6145, 25 May 1951; C State New Delhi 3359, 24 May 1951; R Ticker, Delhi Indian Information Service, 23 May 1951). COMMENT: The Chinese Communists have concluded three agreements since January 1951 promising a total of 550,000 tons of rice and milo to India, of which about 50,000 tons have been shipped. Because of limited shipping in the Far East, it will be difficult to step up deliveries from 10,000 to 70,000 tons a month in order to complete delivery of the remaining half-million tons in 1951.

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"C" KOREA. Chinese Communist Fourth Field Army Elements in Korea may be in Western Sector.

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in partial contact with UN forces in east central Korea.

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[REDACTED]. COMMENT: While the capture of these deserters is inconclusive as to the location of their parent units, this is a further clue as to the identity of the reported - but unconfirmed - army group to the rear of the Chinese Communist 19th Army Group on the western front.

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JAPAN. Communist Peace Meetings Reportedly Planned. The US Political Advisor in Tokyo has informed the Department of State that, according to local sources, Japanese delegates will attend a so-called All New Zealand Peace Conference in Auckland on 15 June, and an all-Asiatic races Peace Promotion Conference in Peiping sometime that same month. Further reports indicate that preparations are being made for a world peace conference in Japan in the autumn of 1951 to be attended by delegates from all over the world. (C Tokyo 2038, 26 May 51). COMMENT: The reported New Zealand conference is one of numerous national peace meetings being held throughout the world to further the Five Power Peace Pact drive of the World Peace Council. The scheduled Peiping meeting is one of the regional conferences planned for at the WPC meeting in Berlin last February to relate regional social and economic problems to the Soviet Peace Campaign. There have been no previous reports of a planned "World" peace conference in Japan. Any announcement of intentions to hold such a conference there would be made merely for propaganda purposes since the Communists are undoubtedly aware that SCAP would not grant entry permits to delegates.

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## SECTION 3 (WESTERN)

- "C" GERMANY. Ultimate Decline of Refugee Party Forecast. US Land observers in Schleswig-Holstein feel that the BHE, West Germany's largest refugee party, has passed its peak and will now decline in strength in Schleswig-Holstein, where it is strongest. Basing their opinion on the results of recent city-town elections in that Land, when BHE losses disappointed party leaders, they add that the most crucial question is that of the ultimate allegiance of the still numerous BHE supporters, who might in the future be attracted by extremist parties. (R HICOG Special Report, 4 May 51) COMMENT: Although the BHE may have passed its peak in Schleswig-Holstein, the party should remain strong for some time, particularly as long as conditions for the many expellees and refugees in that Land remain poor. The future of the BHE will also depend partly on its success in other Laender in representing refugee interests. As a result of its showings in recent Land elections, it is already participating in Land governments in Schleswig-Holstein and Bavaria, and is expected to join in the new Lower Saxony government. This participation has increased the bargaining-position of the party, and should stave off losses by the BHE to the established parties and extremist groups.
- "A" FRANCE. Communists Gain in Municipal Elections. French Communist Party (PCF) lists were returned with outright majorities in two municipal elections in the Paris region on 27 May. Although both elections occurred in traditional Communist strongholds, it is noteworthy that the PCF registered an increase above the previous municipal election figures in each case, jumping from 43 to 54 per cent in one instance. Communist propaganda is pointing out that the PCF is now capable of achieving a flat majority and thereby securing all seats in the departments where 40 per cent of the 1946 vote went to the party. In 1946, however, the PCF secured 40 per cent of the popular vote in only two departments. (R Paris 7306, 28 May 51) COMMENT: Elections in the Paris "Red Belt" give little basis for an estimate of PCF national strength, but these results bear out recent reports that the PCF is recouping earlier losses. Inflation and successful strike activity have reestablished Communist prestige in working-class communities and can be expected to counteract the effects of the electoral reform and thus limit PCF national election losses in June.
- "A" ITALY. Prominent Communist May Be Scheduled for Soviet "Re-Indoctrination". Senator Eugenio Reale, prominent member of the Communist Party (PCI), departed from Rome for Vienna on 20 May with Prague as his probable destination. The purpose of his mission is not known. (S Rome, Joint Weeka 21, 25 May 51) COMMENT: Reale's trip suggests continuing Soviet apprehension over the potentialities of the dissident Magnani-Cucchi movement for attracting high-ranking members from the PCI hierarchy. Reale was dropped from the PCI central committee in April 1951. He is well known for his

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nationalist sentiments and has been dissatisfied with the party's general line. It is, therefore, quite possible that he has been called to Prague (or Moscow) for reprimand and "re-education". Another possibility, in view of his important position in connection with PCI-controlled export companies engaging in trade with the Soviet satellites, is that the Kremlin wishes to give him instructions for further facilitating this trade. Such action by the USSR would be appropriate at this time when the US is seeking to intensify Western Europe's control of exports of critical items to the East.

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**Aircraft Industry Anticipates Manufacture of US Jets for NATO. A**

that no other Vampires or Venoms will be built in Italy after the present 80 vampires now on order are completed in late 1952. The Italian Air Force hopes the Italian aircraft industry will eventually manufacture spare parts for the F-84 to be supplied under MDAP and will later build the F-84's, under license, for Italy and other NATO countries. The Italians have always favored the production of American type jets in Italy, but such production is contingent upon the final decision as to which plane will be the standard NATO jet fighter. (S Rome Joint Weeka 21, 25 May 51) COMMENT: Italian production of the F-84 for NATO countries is also contingent upon the extent of retooling required and the limitations of the peace treaty on Italian military production. It appears probable that the Italians have approached US officials with this suggestion in order to ascertain what their attitude is on this problem.

"B" **SPAIN. Franco's Generals Reported Ready for Constitutional Monarchy.** An American delegate to the ICFTU Conference told the US Ambassador in Brussels that he has received indications through labor channels that "Spanish Army elements are ready for constitutional monarchy in Spain". The labor official stated that the time is right for concerted action directed toward the removal of Franco in view of the possibility that the Spanish generals feel that, under the present circumstances, Franco is a hindrance to the development of Spanish military strength and participation in NATO which they desire. (S Brussels 1882, 28 May 51) COMMENT: There is no confirmation that the thinking of the top generals has crystallized to the degree indicated by this report, which probably emanates from Spanish Socialist sources. Many high-ranking officers are Monarchists and are known to be examining the Army's position vis-a-vis Franco in the light of the current labor unrest and of Franco's future ability to maintain internal stability. It is possible that they are also concerned lest continued disapproval of Franco in western Europe may hinder Spain's receipt of US military aid. The CIC (Monarchist-Socialist-Anarcho-syndicalist coalition Comite Interior de Coordinacion) has, for some time, been making a special effort to gain the support of the generals for a constitutional monarchy under Don Juan. These generals are unlikely to act until convinced that Franco can no longer control the internal situation.

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- "B" SWEDEN. British Coal Enables Sweden to Resist Polish Pressure. A British promise to make available an additional 300,000 metric tons of coal during the second half of 1951 has permitted the Swedes to reject a Polish demand for strategic goods in return for 500,000 additional tons of Polish coal, on which the Swedes had an option. Although Sweden needed the entire 500,000 tons offered by Poland for this period, it obtained firm guarantees of only 150,000 because of its refusal to export in payment ball bearings and other strategic items. (S Stockholm Joint Weeks No. 21, 28 May 51; No. 20, 19 May; No. 19, 11 May). COMMENT: The Swedish-Polish Trade Protocol and Payments Agreement for 1 November 1950-31 October 1951 provided for the shipment of 3,000,000 metric tons of Polish coal and an option to acquire 500,000 additional tons. It stipulated that Sweden export in return ball and roller bearings and parts thereof valued at 6,000,000 Swedish crowns. Sweden is completely dependent upon foreign supplies of coal and coke; agreements for coal and coke deliveries during 1951 provide for 3,000,000 tons of coal from Poland, 500,000 from the UK and Germany respectively, and 2,000,000 tons of coke from Germany.
- "C" UNION OF SOUTH AFRICA. Large Capetown Demonstration Draws Multi-Racial Support. Whites, Coloreds (mixed breeds), and natives paraded in a three-mile-long procession through Capetown yesterday in protest against a bill, now in its last stages in Parliament, removing Cape Province Colored voters from the common roll and permitting them to vote only for their own separate representatives in Parliament. A delegation of ex-servicemen presented petitions to Parliament protesting against the bill, and calling for a general election. After the demonstration, rioting broke out between Coloreds and police on a scale unprecedented in Capetown's history. (U NY Times, 29 May 51) COMMENT: This is the first occasion on which any degree of unity has been achieved among those members of all South Africa's racial groups who have been opposing the legislation either on the constitutional ground that it alters one of the laws which had previously been considered beyond the reach of a mere parliamentary majority, or because it represents a diminution of the civil rights of one group in the community. Previous Colored opposition had taken the form of two demonstrations on 8 March and 7 May which passed off without incident, and which lacked the support of other racial groups. The latest demonstration was instigated not by Coloreds, but by whites, who until now had confined themselves to the holding of public protest meetings on a segregated basis.
- "C" BOLIVIA. Revolutionary Threat Postponed. Embassy La Paz believes that the Movimiento Nacionalista Revolucionario (MNR) will delay its next revolutionary attempt for at least two or three months, because its plans have been somewhat disrupted by the arrest of various MNR leaders, including head of the miners' union Juan Lechin (see OCI Daily Digest 23 May 51). The Minister of Government has persuaded various mine leaders to agree to investigate the charge that Lechin is using the miners for political ends and then to disown Lechin if the charge is proved. Meanwhile, the junta

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has been recognized by Peru, Spain, Dominican Republic, Mexico, Colombia, and Chile. (S La Paz 586, 28 May 51) COMMENT: The mining areas are the wellspring of MNR revolutionary activity. The mine leaders' agreement, together with increased military surveillance of all areas, should afford the junta at least a brief respite from MNR threats.

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DAILY DIGEST SUPPLEMENT

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## CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE  
DAILY DIGEST OF SIGNIFICANT S/S CABLES29 May 1951

## SECTION 1 (SOVIET)

"A" CZECHOSLOVAKIA. Oatis May Repent in Rigged Trial. The US Embassy in Praha has received a letter, allegedly written by Oatis, for forwarding to his wife. In the letter Oatis confesses his espionage activities, recants his former lies about Czechoslovakia, and claims that he is being well treated by a nation "which honestly works for keeping world peace". Ambassador Briggs comments that the use of several "un-American" phrases indicates that the letter was probably drafted by the Czechoslovak authorities. Briggs warns that Czechoslovakia may plan to present Oatis in a trial as a voluntary defector, since this might be the perfect answer to US representations. (R, Praha 750, 24 May 51; C, Praha 751, 24 May 51; C, Praha 757, 27 May 51). COMMENT: Shortly after a Yugoslav radio operator mysteriously disappeared from the Yugoslav Embassy in Praha last March, he issued a statement that he had voluntarily requested Czechoslovak asylum. The Yugoslav Embassy adamantly remains convinced that the operator was abducted by the Czechoslovaks and forced into his subsequent actions. In the face of rapidly deteriorating US-Czechoslovak relations, no effort will be spared by the Communist authorities to discredit the US.

## SECTION 2 (EASTERN)

"B" INDIA. Nehru of India Says He is Anxious to Have US Economic Aid. On 25 May Prime Minister Nehru of India told US Ambassador Henderson that India needed US economic assistance, that he (Nehru) was most anxious to have it, and that he would be willing to accept such aid on existing ECA terms and conditions. Nehru did not object to any of these terms or conditions, but he did attempt to assure himself that acceptance of US aid would not be taken by the US Government or by the Indian people to imply that India thereby committed itself directly or indirectly to follow a US lead in matters of domestic or foreign policy. (S, S/S New Delhi 3362, 25 May 51). COMMENT: Despite his statements to Ambassador Henderson, Nehru's future public statements on foreign aid should not necessarily be expected to contain admissions of need or desires to obtain such assistance.

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## SECTION 3 (WESTERN)

"B" UNITED KINGDOM. Conservative Leaders Press for Strong Action Against Egyptian Suez Canal Restrictions. Anthony Eden, deputy leader of the UK Conservative Party, is reported by US Ambassador Gifford to favor the adoption of strong measures against Egypt if it continues to restrict the passage through the Suez Canal of British oil tankers bound for Haifa. Pointing out that Eden is not given to urging such courses of action without careful consideration, the Ambassador indicates his belief that Churchill agrees with Eden and that other influential Conservatives would be inclined to go along on the matter. (S, S/S London 6159, 25 May 51). COMMENT: The views expressed by Eden on this subject suggest that a Conservative Government might even attempt coercive measures to reopen the Suez Canal to Haifa-bound British tankers. The present government, concerned about the currently delicate state of the defense treaty negotiations, is unlikely to adopt any such measures as urged by Eden; but it is well aware of both this Conservative pressure for a tougher line toward Egypt and of similar pressure from among some of its own supporters. It will therefore be particularly cautious about concluding any Anglo-Egyptian defense arrangements which would appear to make concessions to Egypt.

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